

From: Amy Brownell

Sent: Thursday, March 17, 2011 1:38 PM

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Subject: Re: March 24 - 1:30 pm technical scope of SFRA obligations

Attachments: SFRA Annual Inspections and long term obligations Parcels B G Scope and Reg Agency costs.xls; m11-12 OMB A94.pdf

Hi Navy team:

As we've discussed, we'll be meeting on March 24 to discuss scope of long term obligations for ETCA grant. In addition, we need to discuss the Regulatory Agency costs. I sent an email (copied below) on February 1 with Regulatory Agency Costs.

Agenda for March 24 meeting at CH2MHill offices in Oakland is:

- Review of Meeting Objectives

- Regulatory Agency costs

- Review of scope items required in RD that continue after ten years: gw monitoring (B), well abandonment and gw closure (B), public involvement (B), O&M of durable cover (B&G) and shoreline revetment (B), five year reviews (B&G)

- Annual Inspection and Reporting

- ETCA Administrative Support

- Escrow Fees and Required Audits

- Strategy for discussion with Regulatory Agencies

We will be discussing the technical scope of the "long term" obligations that will be transferred to SFRA. In general, these obligations include the concepts of the SFRA annual inspections required to verify compliance with RMPs and that durable covers are still in place, along with five year reviews, long term groundwater monitoring, O&M requirements from RDs etc, etc This is an issue that impacts all future property transfers at HPS except for Parcel D-2 so it is not specifically an early transfer issue. In order to focus our discussion on March 24, we'll concentrate on Parcels B and G "long term" obligations because those are the ones we have spent the most time analyzing and discussing in some of our large group meetings. But the hope is that this conversation will be the beginning of process to get agreement from all parties on the scope of these issues that will impact all future transfers (except D-2). After we have agreed on the technical details between Navy and SFRA, we'll strive to agree on a strategy for discussing with Regulatory Agencies.

I've attached a read-only workbook with three sheets:

Update to Regulatory Agency Costs using new OMB rates - exact same details from Feb 1 email and attachment - only change is OMB rates
Parcel B annual inspection and "long term" scope
Parcel G annual inspection and "long term" scope

In addition, I've attached a copy of the update to OMB rates.

I will send on late Friday the Mactec Scope Tables for the years 0-10 which we might need to reference during our discussions. They are the same scope tables that you've seen several times over the last year+ with a couple of revisions to reflect year 0 to 10 year scope.

thanks,
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Subject
Regulatory Agency Costs

Melanie, Jeff G, Thomas, Tim and Steve:

As follow-up from our January 6, 2011 technical team conference call, I'm transmitting to you, for your review, the spreadsheet we've developed based on our discussions about Regulatory Agencies expected costs for Parcels B and G. The goal is for us to present these to Reg Agencies to get as much buy-in as we can that this should cover the expected costs that they might incur for oversight of the ETCA tasks. This is an important step in moving towards our ETCA Grant number because if they do not think we are including enough dollars for their oversight then we need to adjust these numbers. More importantly, I do not want to wait for a preliminary indication from insurance because their costs are not insurable and we do not want this extra step of talking to Regulatory Agencies to slow us down in our ETCA grant negotiations.

Please note, we used the information that you gave us on 1/6/2011 to input a formula into Column E

Specifically, you gave us the information that your current basewide monthly costs for each agency were:

EPA = \$25K
DTSC = \$25K
RWQCB = \$13.3K

and then your best guess of the percentage of these costs that would be attributable to Parcels B and G for the first ten years post early transfer was 40%.

Then we split this 60% to Parcel B and 40% to Parcel G. look at Column E and you will see the formula. Also note that spreadsheet calculates as annual costs.

for years 11 to 20, when there is still development and Parcel B still has groundwater monitoring but AOC would have turned into an O&M agreement, we guessed that the Reg Agency costs would go down significantly to 20% of original basewide estimate.

for years 21 to 100, when the site is built out and the main tasks are 5 year reviews and reviews of annual inspections and reporting, we reduced the estimate to 10% of original basewide estimate.

please let us know no later than February 11th if these Regulatory Agency costs seem reasonable to you so that we can proceed with talking to Reg Agencies. If we need to, we can set up a phone call to discuss further.

thanks,
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[attachment "Regulatory Agencies cost estimates.xls" deleted by Amy Brownell/DPH/SFGOV]
(See attached file: SFRA Annual Inspections and long term obligations
Parcels B G Scope and Reg Agency costs.xls)(See attached file: m11-12 OMB
A94.pdf)

(b) (4)

ETCA Grant Scope
Parcel B, 100-year Timeframe
Hunters Point Shipyard
San Francisco, California

WBS Task/ Subtask	Description and Assumptions	Begin Year	End Year	Discount Rate
PARCEL B				
	<i>Discount Rates, per OMB A94, 2011:</i>			
	3-year rate (use for 1, 2, and 3 years)	0.00%		
	5-year rate	0.40%		
	10-year rate	1.30%		
	20-year rate	2.10%		
	30-year rate	2.30%		
1.0	Project Planning and Scheduling - semi-annual yrs 11-30, annual thereafter			
	Scheduling and Progress Reporting	11	100	2.30%
	Database Maintenance	11	100	2.30%
	Administrative Record Support	11	100	2.30%
5.4	Durable Cover - constructed by Mactec			
	Cover Maintenance (annualized cost) -1/3 resurface every 10 years	11	100	2.30%
5.7	Long-term Groundwater Monitoring			
	<i>Water levels at 31 wells; sampling at 3 wells; analyses per RAMP; semi-annual sampling and annual reporting</i>			
	Sampling	11	30	2.30%
	Data Validation, Reporting, Meeting	11	30	2.30%
5.8	Monitoring Well Maintenance, Abandonment			
	<i>31 wells; maintain for 30 years, abandon at termination of program</i>			
	Annual maintenance (prorated)	11	30	2.30%
	Abandonment, 31 wells	30	30	2.30%
5.9	Five-year Reviews			
	<i>Year 2023 to 2111 (reports produced in 2023, 2028, 2033, 2038, 2043, 2048, 2053, 2058, etc)</i>			
	Annualized Cost, Years 11 to 20	11	20	2.10%
	Annualized Cost, Years 21 to 100	21	100	2.30%
5.11	Shoreline Revetment - constructed by Mactec			
	<i>completed by MACTEC; no City cost</i>			
	Annual maintenance (prorated)	11	100	2.30%

ETCA Grant Scope
Parcel B, 100-year Timeframe
Hunters Point Shipyard
San Francisco, California

WBS Task/ Subtask	Description and Assumptions	Begin Year	End Year	Discount Rate
6.0	Final Remedial Action Completion Report (RACR)			
	<i>completed largely by Navy and MACTEC; City to submit one final document at completion of groundwater monitoring - may not be called a RACR might be just closeout report</i>			
	Groundwater Monitoring Closeout Report	30	30	2.30%
7.0	Public Involvement - Implementation of CIP			
	<i>assume discontinued after termination of groundwater monitoring program in year 30</i>			
	Fact Sheets - 1 per year	11	30	2.30%
	Public Meetings - 1 per year	11	30	2.30%
5.12	ICs/RMP Implementation & required annual inspections (RMP & O&M) through Year 30			
	Annual Inspection and Reporting			
	Inspection of durable covers, including shoreline and parks - includes RD O&M inspection requirements (Year 1 thru 5)	1	5	0.40%
	(Year 6 thru 10)	6	10	1.30%
	(Year 11 thru 30)	11	30	2.30%
	Inspection of groundwater mtg wells	1	30	2.30%
	Inspection of VMS	1	30	2.30%
	DBI/DPW Permit check	1	30	2.30%
	Summary of FFA notifications and approvals	1	30	2.30%
	Set up web-based system for property owner reporting	1	1	0.00%
	Send automated email/phone reminders and verify receipt of approx 60 Property Owner Reports	1	30	2.30%
	Check electronic reports	1	30	2.30%
	Annual Maintenance of web-based system	1	30	2.30%
	Report Compilation	1	30	2.30%
	Followup to Rectify Identified Problems			
	Continued followup	1	5	0.40%
	Continued followup	6	10	1.30%
	Continued followup	11	30	2.30%

ETCA Grant Scope
Parcel B, 100-year Timeframe
Hunters Point Shipyard
San Francisco, California

WBS Task/ Subtask	Description and Assumptions	Begin Year	End Year	Discount Rate
	RMP Implementation & required annual inspections (RMP & O&M) - Years 31 to 100			
	Annual Inspection and Reporting			
	Inspection of durable covers, including shoreline and parks - includes RD O&M inspection requirements	31	100	2.30%
	Inspection of VMS	31	100	2.30%
	DBI/DPW Permit check	31	100	2.30%
	Summary of FFA notifications and approvals	31	100	2.30%
	Send automated email/phone reminders and verify receipt of approx 60 Property Owner Reports	31	100	2.30%
	Check electronic reports	31	100	2.30%
	Annual Maintenance of web-based system	31	100	2.30%
	Report Compilation	31	100	2.30%
	Followup to Rectify Identified Problems	31	100	2.30%
	Escrow fee	1	100	2.30%
	Annual Audit, per ETCA	1	100	2.30%
II.	ETCA Administrative Support			
	SFRA staff			
	0.50 FTE	1	1	0.00%
	0.125 FTE	2	10	1.30%
	0.05 FTE	11	30	2.30%
	0.025 FTE	31	100	2.30%
	SFRA contractor, Years 1 - 10			
	Review developer's contractor's invoices	1	10	1.30%
	Review regulatory agency invoices	1	10	1.30%
	Check RMP annual rpt completeness	1	10	1.30%
	Review annual inspection firm's invoices	1	10	1.30%
	SFRA contractor, Years 11 - 30			
	Review regulatory agency invoices	11	30	2.30%
	Check RMP annual rpt. completeness	11	30	2.30%
	Review annual inspection etc. firm's invoices	11	30	2.30%
	SFRA contractor, Years 31 - 100			
	Review regulatory agency invoices	31	100	2.30%
	Check RMP annual rpt. completeness	31	100	2.30%
	Review annual inspection etc. firm's invoices	31	100	2.30%

ETCA Grant Scope
Parcel G, 100-year Timeframe
Hunters Point Shipyard

WBS Task/ Subtask	San Francisco, California Description and Assumptions	Begin Year	End Year	Discount Rate
PARCEL G				
	<i>Discount Rates, per OMB A94, 2011:</i>			
	<i>3-year rate (use for 1, 2, and 3 years)</i>	0.00%		
	<i>5-year rate</i>	0.40%		
	<i>10-year rate</i>	1.30%		
	<i>20-year rate</i>	2.10%		
	<i>30-year rate</i>	2.30%		
1.0	Project Planning and Scheduling - annual event			
	Scheduling and Progress Reporting	11	100	2.30%
	Database Maintenance	11	100	2.30%
	Administrative Record Support	11	100	2.30%
5.4	Durable Cover - constructed by Mactec			
	Cover Maintenance (annualized cost) -1/3 resurface every 10 years	11	100	2.30%
5.9	Five-year Reviews			
	<i>Year 2023 to 2111 (reports produced in 2023, 2028, 2033, 2038, 2043, 2048, 2053, 2058, etc)</i>			
	Annualized Cost, Years 11 to 20	11	20	2.10%
	Annualized Cost, Years 21 to 100	21	100	2.30%

ETCA Grant Scope
Parcel G, 100-year Timeframe
Hunters Point Shipyard

WBS Task/ Subtask	San Francisco, California Description and Assumptions	Begin Year	End Year	Discount Rate
5.12	ICs/RMP Implementation & required annual inspections (RMP & O&M) through Year 30			
	Annual Inspection and Reporting			
	Inspection of durable covers, including parks - includes RD O&M inspection requirements (Year 1 thru 5)	1	5	0.40%
	(Year 6 thru 10)	6	10	1.30%
	(Year 11 thru 30)	11	30	2.30%
	Inspection of groundwater mtg wells - assume ends when wells abandoned in Year 10	1	10	1.30%
	Inspection of VMS	1	30	2.30%
	DBI/DPW Permit check	1	30	2.30%
	Summary of FFA notifications and approvals	1	30	2.30%
	Set up web-based system for property owner reporting	1	1	0.00%
	Send automated email/phone reminders and verify receipt of approx 70 Property Owner Reports	1	30	2.30%
	Check electronic reports	1	30	2.30%
	Annual Maintenance of web-based system	1	30	2.30%
	Report Compilation	1	30	2.30%
	Followup to Rectify Identified Problems			
	Continued followup	1	5	0.40%
	Continued followup	6	10	1.30%
	Continued followup	11	30	2.30%
	RMP Implementation & required annual inspections (RMP & O&M) - Years 31 to 100			
	Annual Inspection and Reporting			
	Inspection of durable covers, including parks - includes RD O&M inspection requirements	31	100	2.30%
	Inspection of VMS	31	100	2.30%
	DBI/DPW Permit check	31	100	2.30%
	Summary of FFA notifications and approvals	31	100	2.30%
	Send automated email/phone reminders and verify receipt of approx 70 Property Owner Reports	31	100	2.30%
	Check electronic reports	31	100	2.30%
	Annual Maintenance of web-based system	31	100	2.30%
	Report Compilation	31	100	2.30%
	Followup to Rectify Identified Problems	31	100	2.30%

ETCA Grant Scope
Parcel G, 100-year Timeframe
Hunters Point Shipyard

WBS Task/ Subtask	San Francisco, California Description and Assumptions	Begin Year	End Year	Discount Rate
	Escrow fee	1	100	2.30%
	Annual Audit, per ETCA	1	100	2.30%
II.	ETCA Administrative Support			
	SFRA staff			
	0.50 FTE	1	1	0.00%
	0.125 FTE	2	10	1.30%
	0.05 FTE	11	30	2.30%
	0.025 FTE	31	100	2.30%
	SFRA contractor, Years 1 - 10			
	Review developer's contractor's invoices	1	10	1.30%
	Review regulatory agency invoices	1	10	1.30%
	Check RMP annual rpt completeness	1	10	1.30%
	Review annual inspection firm's invoices	1	10	1.30%
	SFRA contractor, Years 11 - 30			
	Review regulatory agency invoices	11	30	2.30%
	Check RMP annual rpt. completeness	11	30	2.30%
	Review annual inspection etc. firm's invoices	11	30	2.30%
	SFRA contractor, Years 31 - 100			
	Review regulatory agency invoices	31	100	2.30%
	Check RMP annual rpt. completeness	31	100	2.30%
	Review annual inspection etc. firm's invoices	31	100	2.30%




EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 3, 2011

M-11-12

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Jacob J. Lew
Director 

SUBJECT: 2011 Discount Rates for OMB Circular No. A-94

On October 29, 1992, OMB issued a revision to OMB Circular No. A-94, "Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs." The revision established new discount rate guidelines for use in benefit-cost and other types of economic analysis.

The revised Circular specifies certain discount rates that will be updated annually when the interest rate and inflation assumptions in the budget are changed. These discount rates are found in Appendix C of the revised Circular. The attachment to this memorandum is an update of Appendix C. It provides discount rates that will be in effect for the calendar year 2011.

The rates presented in Appendix C do not apply to regulatory analysis or benefit-cost analysis of public investment. They are to be used for lease-purchase and cost-effectiveness analysis, as specified in the Circular.

Attachment

APPENDIX C
(Revised December 2010)

**DISCOUNT RATES FOR COST-EFFECTIVENESS, LEASE PURCHASE,
AND RELATED ANALYSES**

Effective Dates. This appendix is updated annually. This version of the appendix is valid for calendar year 2011. A copy of the updated appendix can be obtained in electronic form through the OMB home page at www.whitehouse.gov/omb/circulars_a094/a94_appx-c/, the text of the main body of the Circular is found at http://www.whitehouse.gov/omb/circulars_a094/, and a table of past years' rates is located at www.whitehouse.gov/sites/default/files/omb/assets/a94/dischist.pdf. Updates of the appendix are also available upon request from OMB's Office of Economic Policy (202-395-3381).

Nominal Discount Rates. A forecast of nominal or market interest rates for 2011 based on the economic assumptions for the Fiscal Year 2012 Budget are presented below. These nominal rates are to be used for discounting nominal flows, which are often encountered in lease-purchase analysis.

**Nominal Interest Rates on Treasury Notes and Bonds
of Specified Maturities (in percent)**

<u>3-Year</u>	<u>5-Year</u>	<u>7-Year</u>	<u>10-Year</u>	<u>20-Year</u>	<u>30-Year</u>
1.4	1.9	2.4	3.0	3.9	4.2

Real Discount Rates. A forecast of real interest rates from which the inflation premium has been removed and based on the economic assumptions from the 2012 Budget is presented below. These real rates are to be used for discounting constant-dollar flows, as is often required in cost-effectiveness analysis.

**Real Interest Rates on Treasury Notes and Bonds
of Specified Maturities (in percent)**

<u>3-Year</u>	<u>5-Year</u>	<u>7-Year</u>	<u>10-Year</u>	<u>20-Year</u>	<u>30-Year</u>
0.0	0.4	0.8	1.3	2.1	2.3

Analyses of programs with terms different from those presented above may use a linear interpolation. For example, a four-year project can be evaluated with a rate equal to the average of the three-year and five-year rates. Programs with durations longer than 30 years may use the 30-year interest rate.